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# Bangladesh

# Cotton and Products

# Annual

# 2003

Approved by:
**Chad R. Russell**
**U.S. Embassy, New Delhi**
Prepared by:
Sayed Sarwer Hussain

**Report Highlights:**

**Imports of cotton are forecast up two percent to 220,000 tons in MY 2003/04, with U.S. share slipping to 18% in MY 2002/03 on strong competition from CIS countries. New spinning mills lead to increased production of yarn and fabric.**

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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*SECTION I: SITUATION AND OUTLOOK*

## Production

MY 2003/04 cotton production is forecast at 15,250 tons, with area planted increasing by 5 percent to 50,000 hectares. These figures assume a relatively normal monsoon and normal pest infestation, and take into account enhanced procurement prices of raw cotton by the government and strong international cotton prices. The cotton crop, due to its uncertainty in price and susceptibility to natural calamities, faces tough competition from alternative summer and early winter crops. Bangladesh raw cotton production in MY2002/03 experienced relatively normal weather conditions, and is estimated at 15,091 tons from 47,600 hectares planted.

With cotton prices rising in the import market, man-made fibre production is trending upward. Production of man-made fibre (polyester) is forecast at 1,550 tons in MY2003/04 and estimated at 1,500 tons in MY 2002/03.

With new spinning mills coming into operation, the MY2003/04 production of yarn is forecast at 208,000 tons, while fabric production is forecast at 1.24 billion meters. The export-oriented yarn and fabric manufacturers are still struggling with large stocks of yarn and fabric in the face of reduction and slow disbursement of cash incentives (currently 15 percent; 10 percent in MY 2003/04). Based on the increased availability of raw cotton from last year's stock, the MY 2002/03 estimate for yarn production is 204,000 tons, up from last year's production of 192,000 tons. The MY2002/03 fabric production estimate is 1.22 billion meters, up from the previous year's production of 1.19 billion meters.

The small-scale handloom industry dominates the fabric weaving sector, supplying about 40 percent of the local fabric requirement, with a production capacity of around 600 million meters of fabric. It currently exports about 12 million meters of cotton check fabric through the export-oriented ready-made garment industry.

## Consumption

Raw cotton consumption in MY2003/04 is forecast at 240,000 tons, benefiting from new spinning mills coming online. Consumption in MY2002/03 is estimated at 232,000 tons, up over the MY2001/02 consumption of 220,000 tons. Increasing demand from the growing private spinning sector, as well as continued high stocks, contributed to the growth in the consumption of raw cotton.

The consumption of cotton yarn in MY2003/04 is forecast to increase slightly to 505,000 tons, due mainly to increased local consumption. MY2002/03 cotton yarn consumption is estimated at 498,000 tons, out of which 146,000 tons were used for domestic consumption and the remainder was used for the production of export-oriented hosiery, knitwear, and fabric. Fabric consumption is also forecast to increase slightly, reaching 3.76 billion meters in MY2003/04. Total fabric consumption in MY2002/03 is estimated at 3.73 billion meters, up over 3.69 billion meters in MY2001/02. The MY2002/03 estimate consists of 1.22 billion meters domestic consumption and 2.50 billion meters for production of export oriented garments.

## Trade

The Bangladeshi textile industry depends on imports for around 90 percent of its cotton consumption. Raw cotton imports in MY2003/04 are forecast to increase to MY2001/02 levels to 220,000 tons due to increased demand generated by the spinning sector, and MY2002/03 cotton imports are estimated at 216,000 tons. The Commonwealth of Independent States (CIS) appears to be the principal origin of raw cotton, supplying approximately 39 percent of the Bangladeshi cotton import market, while the United States is the major competitor, with a share of around 18 percent by virtue of the high quality, consistency, and timeliness of supply. The export-oriented spinning mills in Bangladesh are well aware of the high quality of U.S. cotton vis-a-vis CIS, but comparatively high U.S. prices restrain their purchases of the same. Other major origins of imported raw cotton are Australia, Africa (e.g. Sudan, Egypt), and Pakistan.

Although both the capacity and efficiency of the spinning mills in Bangladesh are quickly improving, their yarns are not replacing imports at the same rate in fabric production, because local textile mill owners are sourcing yarns from international markets at lower prices. Imports of cotton yarns in CY2003 are expected to drop by 2.7 percent to 290,000 tons against estimated imports of 298,000 tons in CY2002, due mainly to large ending stocks. Despite the ban on Indian yarn imports through land borders, put in place to encourage utilization of domestic yarn, India maintains its hold on the Bangladeshi yarn imports with 67 percent of the total. Although the ban led to a reduction of Indian yarn legally coming into Bangladesh, trade sources report that smuggling has more than taken up the slack to-date in 2003.

Fabric imports in CY2003 are expected to reach 2.44 billion meters, 1.5 percent less than CY2002 due to growth in local fabric production and large stocks. China was the principal source of Bangladesh's imported cotton fabric in 2002, with a share of 75 percent. Trade sources believe that Chinese fabric prices are highly subsidised.

**Marketing**

Bangladesh is a growing market for ELS and superior quality cottons. Around 30 percent of the cotton imports are meant for export-oriented spinning units. The new generation of spinning mill operators is familiar with U.S. Pima and upland cotton, and appreciate its quality, consistency, and better ginning out turn. A reasonably higher U.S. price is acceptable, but high freight costs and longer delivery periods divert many Bangladeshi importers to other sources. Export credit programs, enabling large purchases to mitigate freight charges, and direct contacts between Bangladeshi buyers and U.S. suppliers through exchange visits and participation in trade shows could further support U.S. cotton exports to Bangladesh.

*SECTION II: STATISTICAL TABLES*

**Table 1: Commodity, Cotton, PSD (metric tons)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| PSD Table | | | | | | | |
| Country: | Bangladesh | | | | | | |
| Commodity: | Cotton | | | | | | |
| | | 2001 | | 2002 | | 2003 | UOM |
| | Old | New | Old | New | Old | New | |
| | Market Year Begin | 08/2001 | | 08/2002 | | 08/2003 | (MONTH/YEAR) |
| Area Planted | 51100 | 51186 | 50000 | 47600 | 0 | 50000 | (HECTARES) |
| Area Harvested | 50000 | 51186 | 50000 | 47600 | 0 | 50000 | (HECTARES) |
| Beginning Stocks | 25000 | 25000 | 34500 | 40234 | 0 | 39325 | METRIC TONS |
| Production | 14550 | 15234 | 14500 | 15091 | 0 | 15250 | METRIC TONS |
| Imports | 215000 | 220000 | 225000 | 216000 | 0 | 220000 | METRIC TONS |
| TOTAL SUPPLY | 254550 | 260234 | 274000 | 271325 | 0 | 274575 | METRIC TONS |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 | METRIC TONS |
| USE Dom. Consumption | 219600 | 219550 | 239400 | 231400 | 0 | 239400 | METRIC TONS |
| Loss Dom. Consumption | 450 | 450 | 600 | 600 | 0 | 600 | METRIC TONS |
| TOTAL Dom. Consumption | 220050 | 220000 | 240000 | 232000 | 0 | 240000 | METRIC TONS |
| Ending Stocks | 34500 | 40234 | 34000 | 39325 | 0 | 34575 | METRIC TONS |
| TOTAL DISTRIBUTION | 254550 | 260234 | 274000 | 271325 | 0 | 274575 | METRIC TONS |

**Table 2: Commodity, Cotton, PSD (480 lbs bales)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| PSD Table | | | | | | | |
| Country: | | | | | Conversion | 0.0045929 | |
| Commodity: | | | | | | | |
| | | 2001 | | 2002 | | 2003 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | | | | | | (MONTH/YEAR) |
| Area Planted | 51100 | 51186 | 50000 | 47600 | 0 | 50000 | (HECTARES) |
| Area Harvested | 50000 | 51186 | 50000 | 47600 | 0 | 50000 | (HECTARES) |
| Beginning Stocks | 115 | 115 | 158 | 185 | 0 | 181 | 1,000 480lb bales |
| Production | 67 | 70 | 67 | 69 | 0 | 70 | 1,000 480lb bales |
| Imports | 987 | 1010 | 1033 | 992 | 0 | 1010 | 1,000 480lb bales |
| TOTAL SUPPLY | 1169 | 1195 | 1258 | 1246 | 0 | 1261 | 1,000 480lb bales |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 | 1,000 480lb bales |
| USE Dom. Consumption | 1009 | 1008 | 1100 | 1063 | 0 | 1100 | 1,000 480lb bales |
| Loss Dom. Consumption | 2 | 2 | 3 | 3 | 0 | 3 | 1,000 480lb bales |
| TOTAL Dom. Consumption | 1011 | 1010 | 1102 | 1066 | 0 | 1102 | 1,000 480lb bales |
| Ending Stocks | 158 | 185 | 156 | 181 | 0 | 159 | 1,000 480lb bales |
| TOTAL DISTRIBUTION | 1169 | 1195 | 1258 | 1246 | 0 | 1261 | 1,000 480lb bales |

**Table 3: Commodity, Cotton, Import Trade Matrix**

| | | | | | |
|---|---|---|---|---|---|
| Import Trade Matrix | | | | | |
| Country: | | Units: | | | Metric tons |
| Commodity: | | | | | |
| Time period: | Aug-Jul | | | | |
| Imports for | 2000 | | 2001 | | 2002 |
| U.S. | 40000 | U.S. | 64000 | U.S. | 39000 |
| Others | | Others | | Others | |
| CIS | 48000 | CIS | 56000 | CIS | 85000 |
| Africa | 37000 | Africa | 34000 | Africa | 35000 |
| Australia | 22000 | Australia | 24000 | Australia | 16000 |
| Pakistan | 22000 | Pakistan | 14000 | Pakistan | 16000 |
| South America | 8000 | South America | 13000 | South America | 8000 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total for Others | 137000 | | 141000 | | 160000 |
| Others not listed | 15000 | | 15000 | | 17000 |
| Grand Total | 192000 | | 220000 | | 216000 |

**Table 4: Commodity, Cotton Yarn, Import Trade Matrix**

| | | | | | |
|---|---|---|---|---|---|
| Import Trade Matrix | | | | | |
| Country: | | Units: | | | Metric tons |
| Commodity: | Cotton Yarn | | | | |
| Time period: | Jan-Dec | | | | |
| Imports for | 2000 | | 2001 | | 2002 |
| U.S. | 0 | U.S. | 0 | U.S. | 0 |
| Others | | Others | | Others | |
| India | 234000 | India | 232000 | India | 200000 |
| Pakistan | 22000 | Pakistan | 21000 | Pakistan | 30000 |
| Indonesia | 14000 | Indonesia | 14500 | Indonesia | 16000 |
| Thailand | 14000 | Thailand | 14000 | Thailand | 18000 |
| Taiwan | 8500 | Taiwan | 8000 | Taiwan | 12000 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total for Others | 292500 | | 289500 | | 276000 |
| Others not listed | 17500 | | 18500 | | 22000 |
| Grand Total | 310000 | | 308000 | | 298000 |

**Table 5: Commodity, Fabrics, Import Trade Matrix**

| | | | | | |
|---|---|---|---|---|---|
| Import Trade Matrix | | | | | |
| Country: | | Units: | | | Mil. Meters |
| Commodity: | Fabric | | | | |
| Time period: | Jan-Dec | | | | |
| Imports for | 2000 | | 2001 | | 2002 |
| U.S. | 0 | U.S. | 0 | | 0 |
| Others | | Others | | | |
| China | 2070 | China | 1980 | | 1860 |
| Pakistan | 200 | Pakistan | 160 | | 152 |
| India | 145 | India | 200 | | 240 |
| Indonesia | 50 | Indonesia | 44 | | 40 |
| Thailand | 45 | Thailand | 72 | | 58 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total for Others | 2510 | | 2456 | | 2350 |
| Others not listed | 40 | | 40 | | 130 |
| Grand Total | 2550 | | 2496 | | 2480 |

**Table 6: Area and Production of Raw cotton in Bangladesh during last five years**

| Year | Area (hectare) | Production | |
|---|---|---|---|
| | | Bales* | Tons |
| 1998-99 | 44700 | 62350 | 11336 |
| 1999-00 | 48260 | 83575 | 15195 |
| 2000-01 | 29100 | 40500 | 7364 |
| 2001-02 | 51186 | 83800 | 15234 |
| 2002-03 | 47600 | 83000 | 15091 |

*1 bale = 400 lbs.
Source: Cotton Development Board (CDB)

**Table 7: Production and Consumption estimates of Yarn and Fabrics by years**

| **Year** | **Production** Yarn (‘000' tons) | **Production** Fabrics (Mill. Meters) | **Consumption** Yarn (‘000' tons) | **Consumption** Fabrics (Mill. Meters) |
|---|---|---|---|---|
| 1998/99 | 120 | 1050 | 480 | 3600 |
| 1999/00 | 145 | 1160 | 488 | 3650 |
| 2000/01 | 174 | 1172 | 494 | 3675 |
| 2001/02 | 192 | 1190 | 495 | 3690 |
| 2002/03 | 204 | 1220 | 498 | 3725 |

Sources**:** Bangladesh Textile Mills Association (BTMA), Bangladesh Garments Manufacturers and Exporters Association (BGMEA), and Ministry of Textiles, GOB

**Table 8: Duty Structure of Textile Sector**

| Items | Import Duty | VAT | Advance Income Tax | Development Surcharge | License Fee LF | Excise duty (local sale) |
|---|---|---|---|---|---|---|
| Raw Cotton | - | - | - | - | - | - |
| Man-made Fibre | - | - | 3% | 2.5% | 2.5% | - |
| Yarn | 5% | 15% | 3% | 2.5% | 2.5% | Tk. 1.5/kg |
| Fabric | 37.5% | 15% | 3% | 2.5% | 2.5% | Tk.0.50/kg |
| Dyes /Chemicals | 5 - 25% | 15% | 3% | 2.5% | 2.5% | - |
| Starch/Glue/Gum | 5% | 15% | 3% | 2.5% | 2.5% | - |
| Spare Parts | 5% | - | 3% | 2.5% | 2.5% | |

Source: National Board of Revenue (NBR), GOB

**Table 9: Garment Export Data in US$ (Fiscal Year)**

| Year | Million US$ | Y-O-Y Growth Rate (%) |
|---|---|---|
| 1990-91 | 866.82 | |
| 1991-92 | 1182.57 | 36.43 |
| 1992-93 | 1445.02 | 22.19 |
| 1993-94 | 1555.79 | 7.67 |
| 1994-95 | 2228.35 | 43.23 |
| 1995-96 | 2547.13 | 14.31 |
| 1996-97 | 3001.25 | 17.83 |
| 1997-98 | 3781.94 | 26.01 |
| 1998-99 | 4019.98 | 6.29 |
| 1999-2000 | 4349.41 | 08.19 |
| 2000-2001 | 4859.83 | 11.74 |
| 2001-2002 | 4983.75 | -5.68 |
| Average Growth Rate: | | 19.39 |

Source: Export Promotion Bureau (EPB)